

Members

Rep. Peggy Welch, Chairperson
Rep. William Crawford
Rep. Eric Turner
Sen. Luke Kenley
Sen. John Broden



COMMISSION ON STATE TAX AND FINANCING POLICY

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MEETING MINUTES¹

Meeting Date: October 23, 2008
Meeting Time: 9:00 A.M.
Meeting Place: State House, 200 W. Washington St., 404
Meeting City: Indianapolis, Indiana
Meeting Number: 5

Members Present: Rep. Peggy Welch, Chairperson; Rep. William Crawford; Rep. Eric Turner; Sen. Luke Kenley; Sen. John Broden.

Members Absent: None.

Rep. Welch called the meeting to order shortly after 9:00 a.m. The meeting was devoted to transportation issues and property tax issues related to the implementation of HEA 1001-2008.

I. Transportation Issues

Rep. Brian Bosma provided a history of legislative action to enhance transportation revenues for local government. Rep. Bosma noted that some consider local transportation funding to be a problem but others in local government say that is already a crisis.

Mr. Dennis Faulkenburg, Build Indiana Council, agreed that local road funding is in a crisis situation. Mr. Faulkenburg described the various factors limiting the growth of local

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

transportation revenues (Exhibit A). He urged the General Assembly to discontinue the use of gasoline taxes to fund the operations of the Indiana State Police and the Bureau of Motor Vehicles in order to free up more money for local transportation budgets. He also urged the General Assembly to consider new revenue streams such as dedicating the state sales taxes collected on the sale of gasoline to local transportation funding.

Mr. Paul Wilson, Madison County Commissioner, described the transportation challenges facing his county and the county's efforts to contain costs (Exhibit B).

Mayor Terry McDonald, City of New Haven, suggested that cumulative fund property tax levies should be exempt from the application of the circuit breakers to preserve these transportation revenues.

The following county officials testified and submitted reports describing the funding difficulties facing their counties:

- Mr. Bill Williams, Monroe County Highway Engineer.
- Mr. Eric Wathen, Hendricks County Commissioner (Exhibit C).
- Mr. Brad Davis, Hamilton County Highway Engineer.
- Mr. Kevin Overmyer, Marshall County Commissioner (Exhibit D).
- Mr. Gary Vandergriff, Johnson County Highway Director (Exhibit E).
- Ms. Paula Hughes, Allen County Council

Ms. Katrina Hall, Indiana Farm Bureau, noted the importance of safe, well maintained rural roads to the membership of the Farm Bureau.

Mayor Tim Armstrong, City of Madison, and Mr. Mike Flint urged the General Assembly to support the construction of a new Ohio River bridge connecting Madison to the town of Milton, Kentucky. They advocated for the consideration of all possible revenue sources and noted that the existing US 421 bridge was operated as a toll bridge between 1929 and 1949 (Exhibit F).

Mr. Rusty Bodenhorn, Economic Development Director, City of Noblesville, described the importance of tax increment financing and impact fees in sustaining the city's downtown area and its continued suburban growth (Exhibit G).

The Commission questioned the witnesses on topics such as consolidation, joint purchasing, and the use of private contractors.

Mr. Gary Eaton, Director of Procurement, Project Accounting and Budget, Indiana Department of Transportation, described the federal government's recent efforts to prevent the federal transportation trust fund from becoming insolvent. Mr. Eaton noted that the General Assembly has not authorized any transfers of Major Moves money to local governments after 2008.

Rep. Crawford urged INDOT to make employment opportunities available state wide and asked for reports on the following with respect to road projects funded by Major Moves money:

- (1) The use of out-of-state contractors who employ out-of-state crews.
- (2) An analysis of each contract.

Rep. Terri Austin requested INDOT reports on the following:

- (1) The investment performance of Major Moves investments.
- (2) Where Major Moves money has been invested.
- (3) How much money has been repaid to the toll road lessee following recent flooding in northern Indiana.
- (4) Whether any Major Moves projects are at risk.

Mr. Eaton stated that no Major Moves money has been repaid to the lessee as a result of the flooding.

Rep. Chet Dobis and Mr. Gerald Hanas from the Northern Indiana Commuter Transportation District (NICTD) described the evolving plans for NICTD's expansion of service to Lowell and Valparaiso. The proposal to extend commuter rail service to Lowell meets federal funding guidelines but the proposal to connect Valparaiso with the Lowell line at Munster does not. The current focus of the expansion plan is on proceeding with the Lowell extension. The possibility of connecting Valparaiso to the existing commuter line in Gary is being explored as a way of meeting federal funding guidelines for a later construction project. Mr. Hanas noted that constructing the Lowell line is significantly less expensive than the original plan for a full build out (Exhibit H). Rep. Dobis explained to the Commission that the interested parties are still working on funding proposals to supply the local match required by the federal government.

Ms. Christine Altman, Central Indiana Regional Transportation Authority (CIRTA), expressed CIRTA's support for NICTD's proposed expansion.

Rep. Welch recessed the meeting at 12:00 p.m. and called it back to order at 1:30 p.m.

II. Property Taxes

Fiscal Analyst Robert Sigalow, Legislative Services Agency, submitted to the Commission a report summarizing the changes in homeowners' tax bills in 2008 for 66 counties (Exhibit I). Mr. Sigalow described some of the report's findings and noted that the average homestead within the 66 counties received a property tax bill reduction of 32.1%.

Sen. Broden urged the General Assembly to consider the following policies in the 2009 session:

- (1) Permit local governments to use local option income taxes (LOITs) to mitigate revenue cuts resulting from the application of the property tax circuit breakers.
- (2) Provide more fiscal autonomy to larger cities and towns including the power to adopt LOITs of their own.
- (3) Adopt policies to increase investment and ridership in public transportation that mitigate the public transportation sector's reliance on property tax revenues.
- (4) Shift the sometimes disproportionate impact of property tax exemptions on particular taxing units to the county tax base.
- (5) Improve the distribution of the LOITs and the other county income taxes.

The Commission's discussion of Sen. Broden's proposals addressed local government consolidation, local government spending levels, and interlocal cooperation.

Ms. Jill Jackson, Johnson County Clerk, submitted a memorandum urging the General Assembly to make certain changes to the controlled project referendum statutes (Exhibit J).

Mr. David Bottorff, Executive Director of the Association of Indiana Counties (AIC), suggested that paying for certain services at the county level could reduce circuit breaker impacts and pressure on the counties to defeat LOIT proposals. Mr. Bottorff cited township assistance, fire, library, and parks as examples of the types of services that are used by everyone in the county but funded through the levies of multiple providing units. Mr. Bottorff made a number of suggestions for proposed legislation. He indicated that AIC could support more municipal fiscal autonomy as long as municipal action did not preclude county action at a later date to apply county wide taxes to taxpayers residing in the municipality. Mr. Bottorff also submitted a Crowe Chizek report on circuit breaker impacts in St. Joseph County (Exhibit K).

Mayor McDonald, appearing on behalf of the Indiana Association of Cities and Towns (IACT), urged the General Assembly to permit local government to seek voter approval of any proposed bond issuance backed by property taxes. Mayor McDonald also noted IACT's support of municipal option income taxes and urged the General Assembly to create an economic development bank that would operate as a revolving loan fund.

Mr. Greg Guerrettaz, an independent financial adviser who works with many of Indiana's local governments, approved of Sen. Broden's proposal to allow LOIT revenues to be used to mitigate circuit breaker impacts. He also suggested that local income taxes are not always the best fit for a community. Mr. Guerrettaz cited Shipshewana as a city that would benefit more from a local sales tax because it is a tourist destination.

Ms. Pat Roller, Controller for the City of Fort Wayne, expressed her concerns about a number of issues including the flow of data necessary for city budget making, the impact of trending on debt service limits, and county council review of city and other budgets.

Ms. Rhonda Cook, IACT, stated that IACT has been talking with the AIC and has established a task force to address the recommendations of the Indiana Commission on Local Government Reform.

Mr. James O'Donnell, a property tax representative from Granger, submitted a memorandum urging the General Assembly to make certain changes to the assessment and appeals process (Exhibit L). Mr. O'Donnell and the Commission discussed his proposals and views on the transfer of duties from township assessors to county assessors.

Dr. James Baird, Putnam County Commissioner, urged the General Assembly to improve the funding process for historic bridges.

Mr. George Angelone, attorney for the Commission, distributed two memoranda and the following preliminary drafts concerning suggested changes to HEA-1001-2008 (Exhibit M):

- PD 3353 (fire protection territories)
- PD 3354 (eligibility to initiate referendum petition)
- PD 3356 (review of taxing unit actions)
- PD 3361 (legalizing certain DLGF pension actions)
- PD 3378 (property tax assessment board of appeals)
- PD 3407 (eligibility for deductions and credits)
- PD 3408 (referenda on bonds and leases)

Rep. Welch adjourned the meeting at approximately 4:15 p.m.